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ATTORNEYS AT LAW

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December 29, 1988

RICHARD J. MELNICK\*\*  
PATRICIA L. PAYNE  
OF COUNSEL

MARYLAND OFFICE

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7200 WISCONSIN AVENUE  
BETHESDA, MD 20814-4804  
(301) 986-0886

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L. MARK WINSTON\*\*  
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MARK L. HESSEL\*\*  
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KEVIN M. SHEYS  
JEFFREY A. SOULE\*

\*NOT ADMITTED IN D.C.  
\*\*ADMITTED IN MD.

8-364A025 INTERSTATE COMMERCE COMMISSION

No. DEC 29 1988

Date

Fee \$ 13.00

ICC Washington, D.C.

DEC 29 1988  
6121  
RECORDATION NO. 1425

DELIVERED BY HAND

Ms. Noreta R. McGee  
Secretary  
Interstate Commerce Commission  
12th Street & Constitution Avenue, N.W.  
Washington, D.C. 20423

Dear Ms. McGee:

I have enclosed two originals of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the United States Code.

This document is a Purchase Option Agreement, a primary document, dated December 29, 1988.

The names and addresses of the parties to the document are as follows:

Grantor: Investment AB Handlaren  
c/o ICA Eol AB  
Mejerigatan 1  
S-41295  
Gothenburg, Sweden

Grantee: PacifiCorp Finance, Inc.  
Suite 2800  
111 S.W. Fifth Avenue  
Portland, Oregon 97204

DEC 28 2 42 PM '88  
NOTED AT LAW

Ms. Noreta R. McGee

-2-

December 29, 1988

A description of the equipment covered by the document follows:

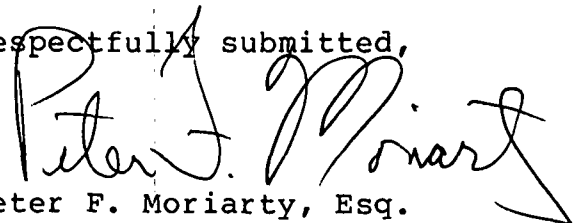
Two (2) AEM-7 electric locomotives, bearing National Railroad Passenger Corporation (Amtrak) road numbers 952 and 953.

A check made payable to the Commission in the amount of \$13.00 is enclosed for the fee. Please return one original to: Peter F. Moriarty, Weiner, McCaffrey, Brodsky & Kaplan, P.C., 1350 New York Avenue, N.W., Suite 800, Washington, D.C. 20005.

A short summary of the document to appear in the index follows:

Purchase Option Agreement, dated December 29, 1988, regarding two AEM-7 electric locomotives, bearing National Railroad Passenger Corporation (Amtrak) road numbers 952 and 953.

Respectfully submitted,

  
Peter F. Moriarty, Esq.

Enclosures

PFM/nns/1261P/8231

**Interstate Commerce Commission**  
**Washington, D.C. 20423**

12/29/88

OFFICE OF THE SECRETARY

Peter F. Moriarty  
Weiner, McCaffrey, Brodsky & Kaplan  
1350 New York Avenue N.W.  
Washington, D.C. 20005-4797

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 12/29/88 at 2:50pm & 2:55pm, and assigned recodation number(s). 16121 & 16122

Sincerely yours,

*Narta L. McEneaney*  
Secretary

Enclosure(s)

INTERSTATE COMMERCE COMMISSION

DEC 29 1988 2-50 Rm  
1 6121  
RECORDATION NO. 1423

PURCHASE OPTION AGREEMENT

Dated December 29, 1988

BETWEEN

INVESTMENT AB HANDLAREN

AND

WILMINGTON TRUST COMPANY,  
not in its individual capacity  
but solely as Owner Trustee

2 AEM-7 ELECTRIC LOCOMOTIVES

---

Mannheimer & Zetterlof  
New York

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## TABLE OF CONTENTS

SECTION	PAGE
1 DEFINITIONS.....	1
2 EFFECTIVENESS OF AGREEMENT.....	1
3 BASE LEASE PERIOD OPTION.....	1
4 EARLY TERMINATION OPTION.....	2
5 OPTION PRICE.....	5
6 IMPLEMENTATION OF OPTION.....	6
7 REPRESENTATIONS AND WARRANTIES.....	7
8 DESIGNATION.....	9
9 ASSIGNMENT.....	9
10 NOTICES.....	9
11 AMENDMENT.....	10
12 SUCCESSORS AND ASSIGNS.....	11
13 HEADINGS.....	11
14 COUNTERPARTS.....	11
15 SEVERABILITY.....	11
16 COMPLETE AGREEMENT.....	11
17 ANNOUNCEMENTS.....	11
18 GOVERNING LAW.....	11
19 ARBITRATION.....	12
20 PLEDGE AND GRANT OF SECURITY INTEREST.....	12
21 LIABILITY OF OPTIONHOLDER LIMITED.....	14
EXHIBIT A - DEFINITIONS	
EXHIBIT B - OPTION NOTICES	
EXHIBIT C - EARLY TERMINATION OPTION PRICE	
EXHIBIT D - BILL OF SALE	
EXHIBIT E - FORM OF NOTICE	

(save only for the express warranty as to Title set forth in Section 6.3 hereof and the Bill of Sale attached hereto as Exhibit D) and any such representation or warranty that would otherwise have been implied is hereby expressly excluded.

6.3 HANDLAREN warrants to and for the benefit of Optionholder that, as at the relevant Transfer Date, the Locomotives will be free and clear of all Lessor's Liens.

6.4 Each party shall bear its own costs in connection with the implementation of an Option.

6.5 For the purpose of confirming the vesting of Title to the Locomotives in Optionholder following the exercise of an Option, HANDLAREN shall execute and deliver to Optionholder on the Transfer Date such instruments and documents and shall take such other actions as shall be reasonably requested by Optionholder.

## 7. REPRESENTATIONS AND WARRANTIES

7.1 Optionholder represents and warrants to HANDLAREN that:

(i) Optionholder is a banking corporation duly organized, validly existing and in good standing under the laws of Delaware;

(ii) Optionholder has the full power, authority and legal right to execute, deliver, perform and comply with all the terms of this Agreement and the execution, delivery and performance thereof by Optionholder have been duly authorized by all necessary corporate action on the part of Optionholder and such execution, delivery and performance do not and will not violate its charter or by-laws or the provisions of any indenture, mortgage, contract or other agreement to which Optionholder is a party or by which it or any of its properties is bound or of any order or judgment applicable to it or any Delaware or federal law, governmental rule or regulation governing the banking or trust powers of Optionholder, in each case material to the transactions contemplated by this Agreement;

(iii) this Agreement has been duly executed and validly delivered by Optionholder and constitutes, assuming the due authorization, execution and delivery of the Trust Agreement by the Owner Participant and the due authorization, execution and delivery of this Agreement by HANDLAREN on or before the Delivery Date, the legal, valid and binding obligation of Optionholder enforceable against Optionholder in accordance with the terms hereof, except as limited by applicable bankruptcy, insolvency,

reorganization, moratorium or similar laws affecting the rights of creditors generally;

(iv) there are no pending or, to Optionholder's knowledge, threatened actions or proceedings before any court or administrative agency in any jurisdiction which if adversely decided would materially adversely affect the ability of Optionholder to perform its obligations under this Agreement or which question Optionholder's legal capacity to execute, deliver and perform, or the binding effect or validity of, this Agreement.

7.2 HANDLAREN represents and warrants to Optionholder that:

(i) HANDLAREN is a corporation duly organized and validly existing under the laws of Sweden;

(ii) HANDLAREN has the full power, authority and legal right to execute, deliver, perform and comply with all the terms of this Agreement and the execution, delivery and performance thereof by HANDLAREN have been duly authorized by all necessary corporate action on the part of HANDLAREN and such execution, delivery and performance do not and will not violate its charter (bolagsordning) or the provisions of any indenture, mortgage, contract or other agreement to which HANDLAREN is a party or by which it or any of its properties is bound or of any order or judgment applicable to it or any law, government rule or regulation of Sweden applicable to its business generally, in each case material to the transactions contemplated by this Agreement;

(iii) this Agreement has been duly executed and validly delivered by HANDLAREN and constitutes, assuming the due authorization, execution and delivery thereof by Optionholder on or before the Delivery Date, the legal, valid and binding obligation of HANDLAREN enforceable against HANDLAREN in accordance with the terms hereof, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally;

(iv) there are no pending or, to HANDLAREN's knowledge, threatened actions or proceedings before any court or administrative agency in any jurisdiction which if adversely decided would materially adversely affect the ability of HANDLAREN to perform its obligations under this Agreement or which question HANDLAREN's legal capacity to execute, deliver and perform, or the binding effect or validity of, this Agreement; and

(v) HANDLAREN has no place of business in the United States and will notify Optionholder prior to establishing such a place of business.

#### 8. DESIGNATION

Optionholder may, by notice in writing to HANDLAREN at any time on or before the relevant Transfer Date, designate any Person to receive Title to the Locomotives from HANDLAREN on the Transfer Date. If no such designation is made, Title shall be transferred to the Optionholder.

#### 9. ASSIGNMENT

9.1 HANDLAREN shall without the consent of Optionholder have the right to sell, assign and transfer HANDLAREN's right in and to the Option Price. HANDLAREN shall give Optionholder prompt written notice of any such assignment.

9.2 Except as provided in Section 9.1 hereof, HANDLAREN shall only have the right to assign its rights and obligations hereunder in connection with an assignment pursuant to Section 14.2 of the Lease Agreement.

9.3 Optionholder may assign, in whole or in part, any of its rights and obligations hereunder to any Person. If the Base Lease Period Option is assigned, a later proper exercise by Optionholder of the Early Termination Option shall terminate the Base Lease Period Option and any purported exercise thereof shall be null and void. Any assignee under this Section 9.3 shall, upon the proper exercise of the Option assigned, be entitled to direct Optionholder to direct the Agent to complete and release the Release Documents in accordance with the Escrow Agreement. Optionholder shall promptly notify HANDLAREN in writing of any assignment under this Section 9.3, and such assignment shall not be effective until so notified. HANDLAREN and Optionholder agree to give any assignee under this Section 9.3 copies of any notices hereunder to the extent necessary in order to carry out the terms and conditions of this Agreement.

9.4 The costs and expenses of the parties to this Agreement resulting from any assignment or proposed assignment shall be paid by the assignor.

#### 10. NOTICES

All notices and other communications required or permitted under the terms and provisions hereof shall be in writing in the English language and any such notice or other communication shall become effective when delivered by hand or by



courier or received by telex (a notice given or made by telex shall be deemed to have been given or made on receipt by the sender of the answerback code of the recipient at the end of the transmission) or telecopier or registered air mail, postage prepaid, addressed as follows:

To HANDLAREN:           Investment AB Handlaren  
                          c/o ICA Eol AB  
                          Mejerigatan 1  
                          S-41295 Gothenburg  
                          Sweden  
                          Attention: Chief Financial Officer  
                          Telecopier: +46 31 835449  
                          Telex: 2245 Answerback: Eols

To Optionholder:       Wilmington Trust Company  
                          Rodney Square North  
                          Wilmington, Delaware 19890  
                          United States of America  
                          Attention: Corporate Trust  
  Administration  
                          Telex: 835437 (Answerback: WILMTR)  
                          Telecopier: (302) 651-8464

With a copy to:

PacifiCorp Finance, Inc.  
Suite 2800  
U.S. Bancorp Tower  
111 Southwest Fifth Avenue  
Portland, Oregon 97204  
United States of America  
Attention: Senior Vice President  
Telecopier: 503 274-6545

or to such other addresses or telex or telecopier numbers as shall have been notified (in accordance with this Section 10) to the other party hereto.

#### 11. AMENDMENT

No terms of this Agreement may be altered, modified, amended, supplemented or terminated except by an instrument in writing signed by the parties hereto. The Optionholder shall provide copies of any amendments, supplements and modifications to this Agreement to the Indenture Trustee (so long as the Trust Indenture has not been discharged), the Sublessee (so long as the Sublease is in effect) and PacifiCorp Finance, Inc.

12. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

13. HEADINGS

Section headings and the Table of Contents herein are for convenience only and shall not be construed as a part of this Agreement.

14. COUNTERPARTS

This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original for all purposes, but all such counterparts shall together constitute but one and the same instrument.

15. SEVERABILITY

Any provision of this Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without invalidating, prohibiting the observance of or rendering unenforceable the remaining provisions hereof, and any such invalidity, illegality or unenforceability in any jurisdiction shall not invalidate, prohibit the observance of or render unenforceable such provision in any other jurisdiction. To the extent permitted by any applicable laws, the parties hereby waive any provision of law that renders any term or provision of this Agreement invalid or unenforceable in any respect.

16. COMPLETE AGREEMENT

This Agreement and the other Documents constitute the entire agreement between the parties hereto with respect to the transactions contemplated hereby and supersedes any prior agreements with respect thereto.

17. ANNOUNCEMENTS

Neither of the parties shall make any public announcement with respect to the transactions contemplated hereby without the prior written consent of the other party.

18. GOVERNING LAW

This Agreement and the rights and obligations of the

parties under this Agreement shall be governed by, and construed in accordance with, the laws of Sweden.

19. ARBITRATION

(i) Any dispute or difference between the parties in connection with this Agreement, shall be referred to and determined by arbitration under the International Arbitration Rules of the London Court of Arbitration.

(ii) The tribunal shall consist of three arbitrators; each party shall nominate one arbitrator.

(iii) The place of arbitration shall be London.

(iv) The language of the arbitration shall be English.

(v) The parties agree to exclude any right of application or appeal to the English courts in connection with any question of law arising in the course of the arbitration or with respect to any award made.

(vi) The award shall be final and binding upon the parties and may if necessary be enforced by any court having jurisdiction in the same manner as a judgment in such court.

20. PLEDGE AND GRANT OF SECURITY INTEREST

20.1 In order to secure the due and punctual performance of the obligation of HANDLAREN pursuant to this Agreement, including, without limitation, the obligation to convey Title to the Locomotives to Optionholder upon the exercise of an Option (or, alternatively, if HANDLAREN shall then be the subject of any bankruptcy, insolvency or similar proceeding, to satisfy any claim for rejection or unilateral termination of such obligation to convey such Title) HANDLAREN does hereby grant to and create in Optionholder a security interest in and pledge (pantsattning) to Optionholder, all of HANDLAREN's right, title and interest in and to the items and types of property described in clauses (a) and (b) below, including all such items and types of property which hereafter become a part of the Locomotives by operation of law or any agreement (all of which shall be included in the term "Collateral"), which security interest and pledge are intended to be valid and enforceable under both the laws of Sweden and any applicable jurisdiction of the United States:

(a) all right, title and interest of HANDLAREN in and to the Locomotives; and

(b) all proceeds of the foregoing, except any Specified Lease Payments and Option Price assigned pursuant to the Assignment.

HANDLAREN agrees that at any time and from time to time, upon the written request of Optionholder, HANDLAREN will, at its sole cost and expense, promptly and duly execute and deliver any and all such further instruments and documents as Optionholder may reasonably deem desirable in obtaining the full benefits of the security interest and pledge granted hereunder and of the rights and powers herein granted. HANDLAREN does hereby warrant and represent that it has not assigned or pledged, and hereby covenants that it will not assign or pledge, so long as the security interest and pledge hereunder created shall remain in effect, any of its right, title or interest in the Collateral, to anyone other than Optionholder, except for any assignment of the Specified Lease Payments and the security interest and pledge granted to Lessee in Section 21 of the Lease Agreement.

20.2 HANDLAREN hereby waives to the extent not prohibited by applicable law (i) all presentments, demands for performance, notices of nonperformance, protests and notices of protest, (ii) any requirement of diligence or promptness on the part of Optionholder in the enforcement of its rights hereunder or pursuant to law, (iii) any and all notices of every kind and description which may be required to be given by any statute or rule of law, and (iv) any defense of any kind, which it may now or hereafter have with respect to its liability under this Section 20. HANDLAREN absolutely and irrevocably waives and relinquishes the benefit and advantage of, and does hereby covenant not to assert against Optionholder, any valuation, stay, appraisal, extension or redemption laws now existing or which may hereafter exist which, but for this provision might be applicable to any sale made under the judgment, order or decree of any court or privately under any power of sale or otherwise based on this Section 20 or in respect of any of the Collateral. Without limiting the general liability of the foregoing, HANDLAREN hereby agrees that it will not invoke or utilize any law which might cause delay in or impede the enforcement of Optionholder's rights hereunder or pursuant to applicable law, and hereby waives the same. In addition, HANDLAREN hereby waives any right to prior notice or judicial hearing in connection with the taking possession of or the disposition of any of the Collateral.

20.3 Upon default by HANDLAREN in performing any material obligations or claims secured hereunder, Optionholder may exercise whatever remedies are available to it hereunder, at law or otherwise. Any item of the Collateral may be sold for cash or other value in any number of lots at public or private

sale without demand, advertisement or notice (except only that Optionholder shall give HANDLAREN fifteen (15) days prior written notice of the time and place of any public sale, or the time after which a private sale may be made, which notice HANDLAREN and Optionholder hereby agree to be reasonable). At any sale or sales of the Collateral, Optionholder or any of its officers acting on its behalf or assigns may bid for and purchase the whole or any part of the property and rights so sold and upon compliance with the terms of such sale may hold, exploit and dispose of such property and rights without further accountability to HANDLAREN except for the proceeds of such sale or sales.

20.4 Optionholder may, after default by HANDLAREN hereunder, propose to retain the Collateral in its possession or in the possession of the Sublessee in satisfaction of the obligations secured hereunder. Written notice of such proposal shall be sent to HANDLAREN if Optionholder has not after such default received from HANDLAREN a statement removing or modifying Optionholder's rights under this Section 20.4. Notice shall be sent to any other secured party from whom Optionholder has received (before sending its notice to HANDLAREN or before HANDLAREN's renunciation of its rights) a written notice of an interest in the Collateral. If Optionholder receives any objections in writing, from a person entitled to receive notification, within twenty-one (21) days after the notice was sent, Optionholder must dispose of the Collateral under the other provisions hereof or under provisions of law. In the absence of such written objections, Optionholder may retain the Collateral in satisfaction of HANDLAREN's obligations under this Agreement.

20.5 Any sale or retention or other conveyance of the Collateral or any part thereof by Optionholder made pursuant to the terms of this Agreement or applicable law shall be effective to transfer or convey all right, title and interest of HANDLAREN in and to the Collateral or such part thereof. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such sale, retention or other conveyance or as to the application of any sale or other proceeds with respect thereto by Optionholder.

20.6 On the Delivery Date, HANDLAREN shall give written notice to the Indenture Trustee and Sublessee of the security interest granted pursuant to Section 20.1 hereof in the form set forth in Exhibit E hereto.

## 21. LIABILITY OF OPTIONHOLDER LIMITED

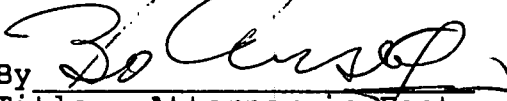
It is expressly agreed, anything herein to the contrary notwithstanding, that each and all of the representations, war-

ranties, covenants, undertakings and agreements herein made on the part of Optionholder are made and intended not as personal representations, warranties, covenants, undertakings and agreements by Wilmington Trust Company, or for the purpose or with the intention of binding Wilmington Trust Company personally, but are made and intended for the purpose of binding only the Trust Estate, and this Agreement is executed and delivered by Wilmington Trust Company not in its individual capacity but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility (except in the case of willful misconduct or gross negligence of Wilmington Trust Company) is assumed by or shall at any time be asserted or enforceable against Wilmington Trust Company or in any event against the beneficiaries of the Trust Estate on account of this Agreement or on account of any representation, warranty, covenant, undertaking or agreement of Optionholder, either expressed or implied herein, all such personal liability, if any, being expressly waived and released by HANDLAREN and by all persons claiming by, through or under it, and that all recourses against Wilmington Trust Company under this Agreement shall be limited to the Trust Estate.

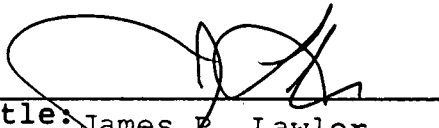
[END OF TEXT]

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

INVESTMENT AB HANDLAREN

By   
Title: Attorney-in-Fact

WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Owner Trustee

By   
Title: James P. Lawler  
Financial Services Officer

District                                 )  
of   )   ss.  
Columbia                                )

On this <sup>29</sup>th day of December, 1988, before me personally appeared, *Bo Gustafson*, to me personally known, who, being by me duly sworn, did say that he is an Attorney-in-Fact of INVESTMENT AB HANDLAREN and that the instrument was signed on behalf of such corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

*Clair C. Hayes*  
\_\_\_\_\_  
Notary Public

**My Commission Expires June 30, 1993**



District                                 )  
of   )   ss.  
Columbia                                )

On this 28th day of December, 1988, before me personally appeared, James P. Lawler, to me personally known, who, being by me duly sworn, did say that he is a Financial Services Officer of WILMINGTON TRUST COMPANY and that the instrument was signed on behalf of such corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

*Elaine C. Guyton*  
Notary Public

My commission expires

My Commission Expires June 30, 1993

## DEFINITIONS

## EXHIBIT A

"Affiliate" - means, as to any Person, any other Person directly or indirectly controlling, directly or indirectly controlled by or under direct or indirect common control with such Person.

"Agent" - has the meaning ascribed to it in the Escrow Agreement.

"Amtrak" - means the National Railroad Passenger Corporation, a corporation organized under the Rail Passenger Act and the laws of the District of Columbia, and its successors and assigns.

"Amtrak Sublease" - means the Lease of Railroad Equipment referred to in Section 7.1 of the Lease Agreement.

"Assignment" - means the Assignment dated December 29, 1988 between Investment AB Handlaren and the Bank.

"Bank" - means Barclays Bank PLC, London.

"Basic Rent" - has the meaning ascribed to it in sub-paragraph (i) of Section 5.1 of the Lease Agreement.

"Base Lease Period" - has the meaning ascribed to it in sub-paragraph (i) of Section 4(a) of the Lease Agreement.

"Base Lease Period Option" - has the meaning ascribed to it in Section 3.1 of the Purchase Option Agreement.

"Bill of Sale" - means the Bill of Sale enclosed as Exhibit D to the Purchase Option Agreement.

"Business Day" - means any day other than a day on which commercial banking institutions in London, England or New York, New York are authorized, or obliged to remain, closed.

"Cessation of Substantial Financial Commitment" - means the failure by the United States government to support substantially all of Amtrak's operating and capital budget shortfall as set forth in Amtrak's Federal Grant Justification within 120 days following commencement of the fiscal year for which such Federal Grant Justification was submitted by Amtrak.

"Collateral" - has the meaning ascribed to it in Section 21.1 of the Lease Agreement.

"Delivery Date" - means the date designated as Delivery Date in Exhibit B to the Lease Agreement and Exhibit B to the Locomotive Purchase Agreement.

"Documents" - means the Locomotive Purchase Agreement, the Locomotive Bill of Sale, the Lease Agreement, the Purchase Option Agreement, the Bill of Sale, the Undertaking, the Loan Agreement, the Assignment, the Subordination and Denunciation Agreement, the Escrow Agreement, the Guaranty, the Letter of Support and any agreement pursuant to Section 5.3 of the Purchase Option Agreement and Section 5.3 of the Lease Agreement, as well as any other agreement contemplated under any of the foregoing documents.

"Early Termination Option" - has the meaning ascribed to it in Section 4.1 of the Purchase Option Agreement.

"EMD" - means General Motors Corporation (Electro-Motive Division).

"EMD Purchase Agreement" - means the Agreement for Purchase of Electric Locomotives dated as of October 8, 1987 between EMD and (after an assignment by Amtrak) the Owner Trustee.

"Escrow Agreement" - means the Escrow Agreement dated December 29, 1988 among Investment AB Handlaren, Owner Trustee, and Wilmington Trust Company as Agent.

"Event of Loss" - means, with respect to any of the Locomotives, any of the following events: (i) the Locomotive shall be or become lost or stolen for a period in excess of 30 days (or to the end of the remaining term of the Lease, if it first occurs), or shall be or become worn out, destroyed or irreparably damaged, or uneconomical to repair from any cause whatsoever during the Term or until the Locomotive is returned pursuant to Section 12 of the Lease, (ii) the Locomotive, together with all other Locomotives manufactured by EMD, shall have been returned permanently to EMD pursuant to any patent indemnity provisions of any agreement between EMD and Sublessee, (iii) the Locomotive shall be permanently returned to EMD due to a material breach of EMD's warranty (other than under the circumstances contemplated by the immediately preceding clause (ii)) contained in any agreement between EMD and Sublessee, (iv) title to the Locomotive shall be taken by any governmental entity or Amtrak by condemnation or otherwise, (v) use of the Locomotive shall be taken or requisitioned (a) by the United States Government (I) for a stated period which shall equal or exceed the then remaining term of the Lease, or (II) for a period which has exceeded one year, or (b) by any other governmental entity (I)

for a stated period which shall equal or exceed the then remaining term of the Lease, or (II) for a period which has exceeded 180 days, or (vi) as a result of any rule, regulation, order or other action by the United States Government or any United States governmental agency, instrumentality, authority, entity or establishment, the use of the Locomotive in the normal course of inter-state rail transportation shall have been prohibited for a continuous period of 90 days (or to the end of the remaining term of the Lease, if it first occurs).

"Extended Lease Period" - has the meaning ascribed to it in sub-paragraph (ii) of Section 4(a) of the Lease Agreement.

"Extended Rent" - has the meaning ascribed to it in sub-paragraph (ii) of Section 5.1 of the Lease Agreement.

"Fair Market Value" - means, for each Locomotive, the value of the Locomotive as agreed between Investment AB Handlaren and the Owner Trustee on the basis of the purchase price which would be obtained in an arm's length transaction between an informed and willing purchaser and seller (neither being a dealer and neither being under any compulsion to purchase or sell), on the assumption that the Locomotive is in the condition required under the Lease Agreement, and failing an agreement, the value as determined by a reputable appraiser selected by Investment AB Handlaren.

"Guaranty" - means the Guaranty dated December 29, 1988 issued by ICA Eol AB in favor of PacifiCorp Finance, Inc.

"Indenture Trustee" - means The Connecticut Bank and Trust Company, National Association, and its successors and assigns.

"Interest" - has the meaning ascribed to it in Exhibit C to the Lease Agreement.

"Lease Agreement" - means the Lease Agreement dated December 29, 1988 between Investment AB Handlaren and the Owner Trustee.

"Lessee" - means the Owner Trustee, and its successors and assigns.

"Lessee Disposition" - has the meaning ascribed to it in Section 14.4 of the Lease Agreement.

"Lessee Person" - has the meaning ascribed to it in Section 3.1(a) of the Undertaking.

"Lessor" - means Investment AB Handlaren, and its successors and assigns.

"Lessor Disposition" - has the meaning ascribed to it in Section 14.2 of the Lease Agreement.

"Lessor Person" - has the meaning ascribed to it in Section 3.1(a) of the Undertaking.

"Lessor's Liens" - means any Liens created under, through or by Investment AB Handlaren, other than any Liens created pursuant to any of the Documents.

"Liens" - means any mortgage, pledge, lien, charge, encumbrance, lease, exercise of rights, security claim or other claim of any nature whatsoever.

"Letter of Support" - means the Letter of Support dated December 29, 1988 issued by PacifiCorp Financial Services, Inc. in favor of Investment AB Handlaren.

"Liability Insurance" - has the meaning ascribed to it in Section 9.1 of the Lease Agreement.

"Loan Agreement" - means the Loan Agreement dated December 29, 1988 between Investment AB Handlaren and the Bank.

"Locomotives" - means each of the AEM Electric Locomotives as specified in Exhibit B to the Lease Agreement.

"Locomotive Bill of Sale" - has the meaning ascribed to it in Section 3.4 of the Locomotive Purchase Agreement.

"Locomotive Purchase Agreement" - means the Locomotive Purchase Agreement dated December 29, 1988 between the Owner Trustee and Investment AB Handlaren.

"Lost Locomotive" - has the meaning ascribed to it in Section 11 of the Lease Agreement.

"Note Purchaser" - means The Mutual Life Insurance Company of New York, and its successors and assigns.

"Officer's Certificate" - means, with respect to any corporation or trust, a certificate of a Managing Director, President (Verkstallande Direktor), Treasurer, Financial Services Officer or any Vice President or other authorized director or officer.

"Option" - means the Base Lease Period Option or the

Early Termination Option.

"Optionholder" - means the Owner Trustee or, as to each Option, the holder thereof from time to time.

"Option Notice" - means a notice in the form set out in Part 1, Part 2 or Part 3 of Exhibit B to the Purchase Option Agreement.

"Option Price" - means as to each Option, the price payable by Optionholder to Investment AB Handlaren pursuant to Section 5 of the Purchase Option Agreement.

"Owner Trustee" or "Lessee" - means Wilmington Trust Company, not in its individual capacity but solely as owner trustee under the Trust Agreement, and its successors and assigns.

"Participation Agreement" - means the Participation Agreement dated as of December 1, 1988 between Amtrak, PacifiCorp Finance, Inc., the Indenture Trustee, the Owner Trustee and the Note Purchaser.

"Permissible Liens" - has the meaning ascribed to it in Section 10 of the Lease Agreement.

"Person" - means any individual, corporation, partnership, trust, unincorporated organization or government, or any agency or other subdivision thereof.

"Property Insurance" - has the meaning ascribed to it in Section 9.1 of the Lease Agreement.

"Purchase Option Agreement" - means the Purchase Option Agreement dated December 29, 1988 between Investment AB Handlaren and the Owner Trustee.

"Purchase Price" - means the amount specified as Purchase Price in Exhibit B to the Locomotive Purchase Agreement.

"Release Documents" - has the meaning ascribed to it in the Escrow Agreement.

"Rules" - has the meaning ascribed to it in Section 14 of the Locomotive Purchase Agreement.

"Senior Obligations" - means all obligations of the Owner Trustee to the Indenture Trustee under the Trust Indenture and the Participation Agreement.

"Specified Lease Payments" - means each payment of Basic Rent, the payment of Extended Rent, if any, and any payment of Stipulated Loss Value, as well as any interest pursuant to Section 5.1(iv) of the Lease Agreement, payable thereon, pursuant to the Lease Agreement.

"Stipulated Loss Value" - for the Locomotives as of any particular date of computation has the meaning specified in Exhibit C to the Lease Agreement.

"Subordinated Obligations" - means all obligations of the Owner Trustee to Investment AB Handlaren under the Locomotive Purchase Agreement and the Lease Agreement, other than any payment of the Specified Lease Payments.

"Subordination and Denunciation Agreement" - means the Subordination and Denunciation Agreement dated December 29, 1988 between Investment AB Handlaren, the Indenture Trustee, Amtrak, the Owner Trustee, the Agent and the Bank.

"Sublease" - means the Lease of Railroad Equipment referred to in Section 7.1 of the Lease Agreement, as well as any other sublease permitted under the Lease Agreement.

"Sublessee" - means Amtrak, as well as any other sublessee permitted under the Lease Agreement.

"Swedish Taxes" - means any taxes imposed, withheld, levied or assessed by any national or local government or taxing authority of or in Sweden.

"Taxes" - means all license and registration fees and all taxes, withholdings, assessments, levies, imposts, duties or charges, of any nature whatsoever, together with any penalties, fines or interest thereon or other additions thereto imposed, withheld, levied or assessed by any country's taxing authority or government subdivision thereof or therein, whether Federal, state or local, or by any international authority.

"Term" - has the meaning ascribed to it in Section 4(a) of the Lease Agreement.

"Title" - means all of Investment AB Handlaren's right, title and interest in and to the Locomotives.

"Transfer Date" - means the date determined as such pursuant to Sections 3.3 and 4.3 of the Purchase Option Agreement, being the date upon which, following the exercise of an Option, Title to the Locomotives is to be vested in Optionholder.

"Trust Agreement" - means the Trust Agreement dated as of December 1, 1988 between PacifiCorp Finance, Inc. and Wilmington Trust Company.

"Trust Estate" - has the meaning ascribed to it in Annex A to the Participation Agreement.

"Trust Indenture Estate" - has the meaning ascribed to it in Whereas-Clause (A) of the Subordination and Denunciation Agreement.

"Trust Indenture" - means the Trust Indenture and Security Agreement dated as of December 1, 1988 between the Owner Trustee and the Indenture Trustee.

"Undertaking" - means an Undertaking dated December 29, 1988 between Investment AB Handlaren and PacifiCorp Finance, Inc.



## Part 1

-1-

Part 2

To: INVESTMENT AB HANDLAREN  
From: Optionholder, or its agents or its successors  
and assigns

Dear Sirs,

We refer to the Purchase Option Agreement dated December 29, 1988 between INVESTMENT AB HANDLAREN and Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee and relating to the Locomotives described in the Schedule hereto. Terms defined in the said Purchase Option Agreement have the same meanings in this notice.

We hereby give you notice pursuant to paragraph (i) of Section 4.2 of the Purchase Option Agreement exercising the Early Termination Option under Sub-clause [ ] of Section 4.1 of the Purchase Option Agreement.

For the purpose of implementing the Early Termination Option, the Transfer Date shall be [ ], and, on that date, Title to the Locomotives is to be vested in the Optionholder in accordance with the terms of the Purchase Option Agreement.

[ ]

By \_\_\_\_\_

TITLE \_\_\_\_\_

Part 3

To: INVESTMENT AB HANDLAREN

From: Barclays Bank PLC

Dear Sirs,

We refer to the Purchase Option Agreement dated December 29, 1988 between INVESTMENT AB HANDLAREN and Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee. Terms defined in the said Purchase Option Agreement have the same meanings in this notice.

This notice is given pursuant to paragraph (ii) of Section 4.2 of the Purchase Option Agreement.

We hereby certify that the principal amount outstanding under the Loan Agreement has become immediately due and payable on [ ] pursuant to Section [ ] of the Loan Agreement.

BARCLAYS BANK PLC

By \_\_\_\_\_

Title \_\_\_\_\_

copy to: 1. PACIFICORP FINANCE, INC.  
2. Optionholder  
3. Agent

Part 4

To: OPTIONHOLDER

From: INVESTMENT AB HANDLAREN

Dear Sirs,

We refer to the Purchase Option Agreement dated December 29, 1988 between INVESTMENT AB HANDLAREN and Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee and relating to the Locomotives described in the Schedule hereto. Terms defined in the said Purchase Option Agreement have the same meaning in this notice.

We hereby give you notice pursuant to Section 4.1 of the Purchase Option Agreement informing you that sub-clause [ ] of said Section has become applicable.

INVESTMENT AB HANDLAREN

By \_\_\_\_\_

Title \_\_\_\_\_

copy to: 1. PACIFICORP FINANCE, INC.  
2. Agent

EXHIBIT C TO  
PURCHASE OPTION AGREEMENT

EARLY TERMINATION OPTION PRICE

The Option Price of each Locomotive in case of the exercise of the Early Termination Option shall be one-half (1/2) of the sum of the Fixed Amount and the Fair Market Value Increment calculated pursuant to paragraphs (a) and (b) below.

(a) Fixed Amount

<u>Payment Date</u>	<u>(% of Purchase Price)</u>
1. December 29, 1988	1. 86.95498
2. June 29, 1989	2. 85.89258
3. December 29, 1989	3. 84.77176
4. June 29, 1990	4. 83.58929
5. December 29, 1990	5. 82.34178
6. June 29, 1991	6. 81.02566
7. December 29, 1991	7. 79.63716
8. June 29, 1992	8. 78.17228
9. December 29, 1992	9. 76.62684
10. June 29, 1993	10. 74.99640
11. December 29, 1993	11. 73.27629
12. June 29, 1994	12. 71.46156
13. December 29, 1994	13. 69.54703
14. June 29, 1995	14. 67.52720
15. December 29, 1995	15. 65.39628
16. June 29, 1996	16. 63.14816
17. December 29, 1996	17. 60.77639
18. June 29, 1997	18. 58.27418
19. December 29, 1997	19. 55.63434
20. June 29, 1998	20. 52.84931
21. December 29, 1998	21. 49.91111
22. June 29, 1999	22. 46.81130
23. December 29, 1999	23. 43.54100
24. June 29, 2000	24. 40.09084
25. December 29, 2000	25. 36.45092
26. June 29, 2001	26. 32.61080
27. December 29, 2001	27. 28.55948
28. June 29, 2002	28. 24.28533
29. December 29, 2002	29. 19.77611
30. June 29, 2003	30. 15.01888
31. December 29, 2003	31. 0

(b) Fair Market Value Increment

The Fair Market Value Increment shall be an amount equal the product of (a) twenty-five percent (25%) of the Purchase Price, multiplied by (b) a fraction, the numerator of which shall be the Fair Market Value of the Locomotives on the day of the exercise of the Early Termination Option, and the denominator of which shall be the Purchase Price. In no event, however, shall the Fair Market Value Increment exceed (1) during the first, second and third year of the Term, 1.576209 percent of the Purchase Price plus interest at a rate of eight percent (8%) per annum (the "Interest") accrued yearly up to the actual date of payment during such 3 year period, (2) during the fourth, fifth and sixth year of the Term, 1.985569 percent of the Purchase Price plus the Interest accrued yearly up to the actual date of payment during such 3 year period, (3) during the seventh, eighth and ninth year of the Term, 2.501245 percent of the Purchase Price plus the Interest accrued yearly up to the actual date of payment during such 3 year period, (4) during the tenth, eleventh and twelfth year of the Term, 3.150848 percent of the Purchase Price plus the Interest accrued yearly up to the actual date of payment during such 3 year period, and (5) during the thirteenth, fourteenth and fifteenth year of the Term, 3.969161 percent of the Purchase Price plus the Interest accrued yearly up to the actual date of payment during such 3 year period.

Notes

- (1) Subject to Note 3 below, if the Option Price becomes due and payable on a Payment Date then the Fixed Amount shall be an amount equal to the amount set out above opposite such Payment Date.
- (2) If the Option Price becomes due and payable on a date other than a Payment Date then the Fixed Amount shall be an amount equal to the amount set out above opposite the Payment Date immediately preceding the date on which the Option Price has become due and payable together with interest thereon calculated from such immediately preceding Payment Date up to and excluding the due date at the rate of 11.0% per annum and calculated on a daily basis, on the basis of a 360 day year and the number of days elapsed.
- (3) The amount set out above are quoted exclusive of the payment of Basic Rent due on the relevant Payment Date, which is payable in addition.

EXHIBIT D TO  
PURCHASE OPTION AGREEMENT

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that INVESTMENT AB HANDLAREN, a Swedish corporation ("HANDLAREN") DOES HEREBY convey and transfer to \_\_\_\_\_ on \_\_\_\_\_ absolutely all of its right, title and interest in the Locomotive described in Exhibit A hereto.

HANDLAREN covenants and agrees that the Locomotive is being conveyed hereunder free and clear of all Lessor's Liens. Except for this covenant, the Locomotive is being conveyed hereunder "as is" and "where is" without any covenant, representation or warranty, express or implied, whatsoever.

IN WITNESS WHEREOF, HANDLAREN has caused this bill of sale to be duly executed on its behalf by an authorized signatory on this \_\_\_\_\_ day of December 1988.

INVESTMENT AB HANDLAREN

By \_\_\_\_\_

District                                 )  
of   )   ss.  
Columbia                                )

On this    th day of December, 1988, before me  
personnally appeared,                     , to me personally known,  
who, being by me duly sworn, did say that he is an  
Attorney-in-Fact of INVESTMENT AB HANDLAREN and that the  
instrument was signed on behalf of such corporation by authority  
of its Board of Directors, and he acknowledged that the execution  
of the foregoing instrument was the free act and deed of such  
corporation.

\_\_\_\_\_  
Notary Public



EXHIBIT E TO  
PURCHASE OPTION AGREEMENT

NOTICE

December , 1988

To: 1. National Railroad Passenger Corporation  
2. The Connecticut Bank and Trust Company, National  
Association

From: INVESTMENT AB HANDLAREN

Dear Sirs,

Notice is hereby given that, pursuant to a Purchase Option Agreement of even date herewith, a copy of which is enclosed herewith we have granted to Optionholder (as defined in the enclosed agreements) a security interest in and to, and pledged to Optionholder, the Locomotives (as defined in the enclosed agreement).

Yours faithfully,

For and on behalf  
of INVESTMENT AB HANDLAREN

Acknowledged  
December , 1988

For and on behalf of  
National Railroad Passenger Corporation

For and on behalf of  
The Connecticut Bank and Trust  
Company, National Association

EXHIBIT A  
TO LOCOMOTIVE BILL OF  
SALE

DESCRIPTION OF LOCOMOTIVE

<u>Manufacturer</u>	<u>Model Number</u>	<u>Type</u>	<u>Manufacturer's Serial Number</u>
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THIS PURCHASE OPTION AGREEMENT is made the 29th day of December, 1988

BETWEEN:

(1) INVESTMENT AB HANDLAREN, a Swedish corporation, and its successors and assigns ("HANDLAREN"); and

(2) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity but solely as Owner Trustee, and its successors and assigns ("Optionholder").

WHEREAS:

(A) HANDLAREN has Title to the Locomotives.

(B) Pursuant to the Loan Agreement, the Bank has made available to HANDLAREN a loan for the purposes of assisting HANDLAREN to finance HANDLAREN's acquisition of the Locomotives.

(C) Pursuant to the Lease Agreement, HANDLAREN has agreed to lease the Locomotives to Lessee upon the terms and conditions therein set forth.

(D) HANDLAREN has agreed, upon the terms and conditions herein set forth, to grant in favour of Optionholder certain options to acquire Title to the Locomotives.

NOW, THEREFORE, the parties hereto agree as follows:

1. DEFINITIONS

The capitalized terms used herein shall have the respective meanings assigned thereto in Exhibit A hereto.

2. EFFECTIVENESS OF AGREEMENT

This Agreement shall come into effect, without the need for any further action on the part of any party hereto, on the Delivery Date.

3. BASE LEASE PERIOD OPTION

3.1 HANDLAREN hereby grants to Optionholder an option (the "Base Lease Period Option") to acquire from HANDLAREN Title to the Locomotives on the last day of the Base Lease Period.

3.2 In order to exercise the Base Lease Period Option, Optionholder or any agent of Optionholder shall deliver

to HANDLAREN an Option Notice in the form set out in Part 1 of Exhibit B, no sooner than nine (9) years from the date of this Agreement and no later than thirty (30) days prior to the last day of the Base Lease Period. HANDLAREN is entitled to rely upon any Option Notice given by any Person representing that such person is an agent of Optionholder.

3.3 Any Option Notice given pursuant to Section 3.2 hereof shall be duly completed and executed and shall specify the last day of the Base Lease Period as the Transfer Date.

3.4 The Option Price following the exercise of the Base Lease Period Option shall be determined, and shall be payable, in the manner provided for in Section 5 hereof.

3.5 If the Base Lease Period Option is exercised, it shall be implemented in the manner set forth in Section 6 hereof.

3.6 The Base Lease Period Option shall automatically expire, and any Option Notice already given pursuant to Section 3.2 hereof shall become of no effect, in the event that the Early Termination Option has been properly exercised pursuant to Section 4 hereof and Title to the Locomotives has passed to the holder of the Early Termination Option.

3.7 Optionholder shall be entitled to require the Agent to complete and release the Release Documents as provided in the Escrow Agreement should the Base Lease Period Option have been exercised.

#### 4. EARLY TERMINATION OPTION

4.1 HANDLAREN hereby grants to Optionholder an option (the "Early Termination Option") to acquire from HANDLAREN Title to the Locomotives prior to the last day of the 15 year term of the Base Lease Period, in the event that one of the following circumstances shall arise:

(i) The Term shall terminate prior to the last day of the 15 year term of the Base Lease Period for any reason whatsoever; or

(ii) The Bank shall certify to HANDLAREN and Optionholder in writing that the principal amount outstanding under the Loan Agreement has become immediately due and payable; or

(iii) HANDLAREN shall (i) under the laws of any jurisdiction (A) apply for or consent to the appointment of or the taking of possession by a receiver, trustee, liquidator,

assignee, custodian, sequestrator, intervenor or the like thereof of itself or of its property, (B) be unable, or admit in writing its inability, to pay its debts as they mature, or suspend payment or fail generally to pay its debts as they mature, (C) become insolvent, (D) make a general assignment for the benefit of creditors, or (E) file a petition in bankruptcy or a petition or answer seeking reorganization, or any arrangement with creditors or to take advantage of any insolvency law or law for the relief of debtors or an answer admitting the material allegations of a petition filed against itself or in any bankruptcy, reorganization, insolvency or relief of debtor proceedings, or (ii) take corporate or other action for purposes of effecting or permitting any of the foregoing; or

(iv) an order, judgment or decree shall be entered, without the application, approval or consent of HANDLAREN by any court or governmental agency of competent jurisdiction ordering relief or other actions under any bankruptcy, reorganization, relief of debtor or insolvency proceeding in respect of HANDLAREN or approving a petition seeking reorganization thereof, or appointing a receiver, trustee, liquidator, intervenor or the like thereof, of or over all or a substantial part of its assets and any such order, judgment or decree shall remain in force undismitted, unstayed or unvacated for a period of ninety (90) days after the date of entry thereof; or

(v) any Lessee Person shall be subject to any Taxes other than ordinary income taxes or other liabilities, that are not insignificant, by reason of the leasing of the Locomotives under the Lease Agreement or by reason of any other transaction contemplated thereunder if such taxes or liabilities would be avoided or materially reduced by an exercise of the Early Termination Option; or

(vi) any Lessee Person shall be subject to any Taxes, that are not insignificant, against which Taxes HANDLAREN pursuant to the Undertaking is obligated, but fails to indemnify such Lessee Person, or HANDLAREN shall otherwise fail to observe or perform any material duty or obligation of HANDLAREN contained herein, or in the Lease Agreement; or

(vii) Lessee shall, at any time, declare that a Claim of Instrumentality (as defined in the Sublease) has been made; or

(viii) Optionholder shall not have received an acknowledgment of the Guaranty and this Agreement during the period from one-hundred and two (102) months to one-hundred and fourteen (114) months of the date of this Agreement; or

(ix) HANDLAREN shall at any time have consolidated shareholders' equity (together with fifty percent (50%) of untaxed reserves) below three-hundred million Swedish Kronor (SEK 300,000,000) as determined in accordance with generally accepted accounting principles; or

(x) HANDLAREN shall at any time be (i) required by any governmental authority to discontinue the business contemplated by the Documents or (ii) unable for any reason, including any lack of status as a "finance company" under the Finance Company Act, to perform any of its obligations under the Documents and in each case HANDLAREN shall not have requested that it be allowed to validly assign pursuant to the Documents its rights and obligations to an assignee reasonably acceptable to Optionholder and the other parties to the Documents (provided such other parties need to consent to such an assignment) and HANDLAREN shall not have so validly assigned pursuant to the Documents such rights and obligations on the earlier of (i) 60 days after such request and (ii) the date that HANDLAREN must discontinue the business contemplated by the Documents or is unable to perform any of its obligations under the Documents.

In the event any of the circumstances referred to in sub-clauses (i)-(x) in this Section 4.1 shall arise, and HANDLAREN is aware thereof, HANDLAREN shall provide prompt notice of such circumstance to Optionholder in the form set out in Part 4 of Exhibit B.

4.2 The Early Termination Option shall be exercisable by delivery:

(i) by Optionholder or any agent of Optionholder to HANDLAREN of an Option Notice substantially in the form set forth in Part 2 of Exhibit B, if the circumstance in question is that set out in paragraphs (i), (v), (vi), (vii), (viii), (ix), or (x) of Section 4.1 hereof (HANDLAREN is entitled to rely upon any Option Notice given by any Person representing that such Person is an agent of Optionholder, provided, however, that only the Owner Trustee may provide notice based on the circumstance set forth in paragraph (vii) of Section 4.1 above); and

(ii) by the Bank to HANDLAREN (with a copy to Optionholder) of an Option Notice substantially in the form set forth in Part 3 of Exhibit B, if the circumstance in question is that set forth in paragraph (ii) of Section 4.1 hereof (it is specifically acknowledged and agreed that no further action on the part of Optionholder or document executed by Optionholder shall be required to exercise the Early Termination Option following the giving of such a notice by the Bank).

4.3 Any Option Notice given pursuant to Section 4.2 hereof shall be duly completed and executed and shall specify as the Transfer Date any date occurring no later than ninety (90) days after the date of such Option Notice, but in no event later than the last day of the Base Lease Period, provided, however, that in the case of an Option Notice pursuant to paragraph (ii) of Section 4.2 hereof:

(i) the date for payment of the Option Price shall be the date of the Option Notice; and

(ii) the Transfer Date shall be the date which is the first to occur of (a) the date which is ninety (90) days after the date of the Option Notice, (b) the last day of the Base Lease Period and (c) any date specified by Optionholder or any agent of Optionholder to HANDLAREN in writing.

4.4 The giving of an Option Notice pursuant to this Section 4 shall, absent manifest error, as against HANDLAREN, be conclusive evidence as to the exercise of the Early Termination Option and HANDLAREN shall not be entitled to dispute whether in fact one of the circumstances set forth in Section 4.1 has occurred.

4.5 The Early Termination Option shall be deemed properly exercised without the giving of any notice or the taking of any other action by the Optionholder or any other Person in the event any of the circumstances referred to in paragraphs (iii) and (iv) of Section 4.1 hereof shall occur. In any such event, the Transfer Date shall be the date on which the relevant circumstance has occurred.

4.6 The Option Price following the exercise of the Early Termination Option, shall be determined, and shall be payable, in the manner provided for in Section 5 hereof.

4.7 If the Early Termination Option is exercised, it shall be implemented in the manner set forth in Section 6 hereof.

4.8 Optionholder shall be entitled to require the Agent to complete and release the Release Documents as provided in the Escrow Agreement should the Early Termination Option have been exercised.

## 5. OPTION PRICE

5.1 If an Option is exercised pursuant to Sections 3 or 4 hereof, the Option Price shall be determined in accordance with Section 5.2 hereof and shall be payable by Optionholder (or by a bank pursuant to Section 5.3 hereof) to HANDLAREN or its

assignee in full (except as may be limited by Section 5.4 hereof) and in one amount in lawful money of the United States of America, on the Transfer Date or on the date of the Option Notice if Section 4.3(i) hereof is applicable.

5.2 The Option Price shall be:

(i) in the case of the exercise of the Base Lease Period Option, an amount equal to the aggregate of (A) ten per cent (10%) of the Purchase Price and (B) the Fair Market Value of the Locomotives on the last day of the Base Lease Period minus an amount equal to ten per cent (10%) of the Purchase Price. In no event, however, shall the Option Price in case of the exercise of the Base Lease Period Option exceed fifteen per cent (15%) or be less than ten percent (10%) of the Purchase Price.

(ii) in the case of the exercise of the Early Termination Option, an amount determined pursuant to Exhibit C hereto.

5.3 Optionholder may designate a bank reasonably acceptable to HANDLAREN to assume, be liable for, and satisfy, discharge and pay in full the Option Price payable to HANDLAREN pursuant to this Agreement. If any such designation is made HANDLAREN will, subject to documentation reasonably satisfactory to HANDLAREN, irrevocably and unconditionally release Optionholder from any liability with respect to the payment of the Option Price of each Option, and look solely to the designated bank for payment of the Option Price of each Option.

5.4 The obligation of the Optionholder to pay the Option Price in the event the Early Termination Option is exercised shall be discharged pro tanto by any payment of Stipulated Loss Value pursuant to the Lease Agreement.

6. IMPLEMENTATION OF OPTION

6.1 If an Option is exercised in accordance with Sections 3 or 4 hereof, then Title to the Locomotives shall, irrespective of whether the Release Documents are completed and delivered to Optionholder or, if a bank has been designated pursuant to Section 5.3 hereof, whether or not the Option Price has been paid, automatically vest in Optionholder on the Transfer Date and the Term shall terminate on the Transfer Date.

6.2 Optionholder shall acquire Title to the Locomotives on an "as is, where is" basis, and accordingly, HANDLAREN shall make no representation or warranty whatsoever as to the state or condition of the Locomotives at the Transfer Date